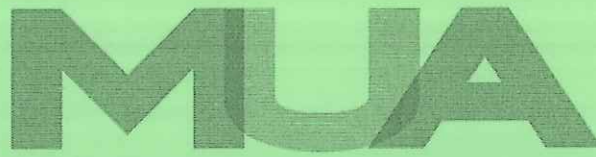


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

BMT 201 : ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT

DATE: 30TH JULY 2018

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided

QUESTION ONE

Read the Case Study below carefully and, answer the questions that follow:

Douglas incorporated Wai-one Enterprises in 2002 to take advantage of some incentives the government was offering to small businesses. He had also identified a gap in the market. Prior to that, Wai-one Enterprises had been a Sole proprietorship owned by Douglas, a retired teacher. Wai-one Enterprises evolved from a stockist of Farmers Choice food products he had operated for three years. Today, Wai-one is a successful food joint .When it was started, Douglas personal skills in food and beverages which he had taught for many years were enhanced by employing two more people with Institutional Management skills.

By incorporating Wai-one, Douglas knew that he could properly write off some expenses of the business which was not possible for a sole proprietorship, such as, Personal health insurance, certain interest rates, business travel plus others were to be treated as corporate expenses. He also established a salary for himself and allowed business profits to be appropriately allocated to corporate earnings. The major reason to incorporate, however was to protect his family. A small dispute over the property when Wai-one was still a sole proprietorship had resulted in a serious lawsuit and although he won, he realised that, had he lost, his family's assets were at a risk. Recently, Douglas has been ailing and his health is not good. He cannot stop thinking how the business would be controlled in his absence.

Although Douglas has excellent employees, none of them can take over as the head of a corporate business. His only family is two children, minors who are minority shareholders of Wai-one Enterprises. He is so much worried about his succession problems

Required:

- a) Explain what you understand by incorporation, and discuss the three most important documents that Douglas had to provide in order to incorporate his business.
- (10 marks)**

- b) What benefits of a sole proprietorship did Douglas have to forego by incorporating Wai- one Enterprises. (5Marks)
- c) Explain the problems being faced by Douglas and his likes for succession (6Marks)
- d) If Douglas had not incorporated his business, what other two forms of business would he have chosen? Explain their advantages. (4marks)

QUESTION TWO

- a) When choosing the right source of finance, a business needs to assess the different types of finance based on a certain criteria. List down at least five and explain each. (10 marks)
- b) Discuss the 5 Ps of negation (5 marks)

QUESTION THREE

- a) Stakeholders of a firm are very important to the success and growth of a firm. Describe the social responsibility that the firm has to undertake towards each one of them. (9 marks)
- b) A business plan is an important document in starting and management of a small business. Identify and explain the components of a business plan (6 marks)

QUESTION FOUR

- (i) Distinguish between internal and external communication. (6Marks)
- (ii) No organization sticks to using one type of communication network. Identify and explain three types of communication networks. (9Marks)

QUESTION FIVE

- a. Kenya is one of the countries where small enterprise development (SED) policies have been developed. However, little has been achieved from this policies. Discuss five reasons for poor response to SED policies (challenges faced by small enterprises). **(10 marks)**
- b. Identify five advantages to family business **(5 marks)**

QUESTION SIX

- a) Give three reasons why businesses need finances. **(3 marks)**
- b) Discuss the alternative methods of financing ventures with equity **(12 marks)**